



Compensation and Classification Study  
Executive Report

for

The City of Webster Groves, Missouri

January 2022



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## Executive Summary

The intent of the Executive Summary is to provide an overview of the most important issues and opportunities identified by the Consulting team during the Study. Recipients of this Report are highly encouraged to read the document in its entirety to gain an understanding of the recommendations presented within the Report.

McGrath Human Resources Group, Inc., an organization that specializes in public sector consulting, was commissioned by the City of Webster Groves, Missouri to conduct a comprehensive Compensation and Classification Study. The purpose of this Study was to:

- ❖ Guide the City in confirming your pay philosophy including your desired position in the market.
- ❖ Review the City's existing compensation plan and classifications.
- ❖ Obtain and establish benchmark compensation data from the external market through a survey of mutually identified, comparable entities.
- ❖ Obtain information on each job title/position for a job evaluation through department meetings, job descriptions, and position description questionnaires.
- ❖ Define and update the City's classification system, as needed.
- ❖ Identify career progression opportunities, when supported.
- ❖ Establish internal equity among positions within the City through a job evaluation point factor process.
- ❖ Complete an analysis of the benefits to identify the City's standing in the market as it pertains to benefits.
- ❖ Integrate the data from the external market, internal market, and job evaluations to develop a comprehensive compensation system by updating your current schedules or designing new salary schedules to align with your compensation philosophy.
- ❖ Prepare a cost analysis for implementation of recommended changes.
- ❖ Review and recommend compensation policy and procedure changes that will assure consistent implementation and application of compensation.
- ❖ Develop a plan for the City to provide on-going maintenance of the system independently.
- ❖ Update all job descriptions [next phase].

Based on this data and analysis, the following recommendations have been developed.

### Compensation Recommendations

In order for the City of Webster Groves to gain a stronger competitive edge with recruitment and retention, it is recommended the City establish its compensation philosophy to align with the average market. This compensation strategy will help facilitate candidates who have multiple employment options, increase selection rates of qualified applicants, maintain productivity, and decrease unwanted employee turnover. This type of strategy is currently appropriate for Webster Groves, which is located in a highly competitive labor market.

The City desires to continue its range model compensation system for effective recruitment. The market rate is set at 16% above the minimum rate of each pay range. The range model also serves as a retention tool. A range model, with established processes to facilitate the employee's ability to receive wage increases beyond cost of living, can be a performance motivator and a tool for professional growth and development, so the City can redevelop and manage a true performance-based compensation program with this model, if desired.

A number of other recommendations have been made in the following areas:

- ❖ Classification (job title) adjustments
- ❖ Definition of career ladders for progression and succession planning opportunities, when relevant

### **Other Opportunities**

Under new Leadership, the City is analyzing and reviewing all facets of compensation and benefits in order to put the City in a stronger financial position without eroding competitive compensation and benefits. As a result, other opportunities for the City related to wages and benefits have been provided in the following areas:

- ❖ Health Insurance
- ❖ Paid Time Benefits
- ❖ Payout Options
- ❖ Pay Equity
- ❖ Classified/Unclassified Designations

These recommendations provide a roadmap for the City Administration to utilize best practices going forward. By developing and following a total compensation philosophy, the City should be in a better position to attract and retain a highly competent workforce.

The Consultants would like to extend appreciation to the City Manager, Assistant City Manager, Human Resources Manager, Department Directors, and employees for their time, cooperation, and sharing of information and perceptions with McGrath Human Resources Group.

## **Methodology**

### **Data Collection**

The project involved several steps: collection of data, interviews, and data analysis. The first step of this Study involved the gathering of data that pertains to current compensation practices within the City of Webster Groves. The Consultants received information relating to current salaries, specific policies, collected market data, and current job descriptions.

Interviews were conducted with the City Manager, Assistant City Manager, Human Resources Manager, and other management personnel within each Department. The purpose of these meetings was to first, gain an understanding of the City's current compensation practices and philosophy; second, to solicit ideas and input from these stakeholders for future compensation methodologies and practices; and finally, to determine if there were any positions within the City that were difficult to recruit, retain, or were otherwise unique in the position's responsibilities. Employees were then asked to complete a Position Questionnaire (PQ) which provided extensive information about the positions. The Consultants utilized the Position Questionnaires completed by the employees, which had been reviewed by supervisory employees, to gain a better understanding of the job responsibilities, skills, and various competencies of the position.

Upon completion of the draft compensation schedule, the Consultants met with Administration, in addition to each Department Director separately to review the recommended Salary Schedule and gain the City's perspective prior to finalization. Any recommendations and feedback provided was reviewed by the Consultants and taken into consideration in both its relation to the position analysis, the external market data, as well as the impact to internal equity within the entire Compensation System.

### **Labor Market**

In order to gain information from the external market, through interviews with the Department Directors and City Administration, a list of comparable organizations was established. Each of the comparable organizations were contacted requesting current salary schedules and incumbent data. The following comparable organizations were contacted:

**Table 1: Comparable Organizations**

<b>ORGANIZATIONS</b>	
Ballwin	Overland
Brentwood	Richmond Heights
Chesterfield	St Louis County
Clayton	Town and Country
Crestwood	Creve Coeur FPD
Creve Coeur	Maryland Heights FPD
Des Peres	Metro West Fire District FPD
Ferguson	Monarch FPD
Hazelwood	Pattonville FPD
Kirkwood	Robertson FPD
Ladue	St. Charles
Maplewood	St. Peters
Maryland Heights	MO DOT
Olivette	

## **Market Data Solicited**

The market survey gathered the following 2021 information: Minimum, Midpoint, and Maximum salary for the positions as well as the average salary of the incumbents. Upon examination, salaries were eliminated if statistically too high or too low as to not skew the average (typically within one-two standard deviations). Then, a new percentile amount was calculated with the remaining salaries. There was a great deal of time spent in the data analysis to ensure that each position was examined based on the data available and how the responsibilities of each position align within the City.

The collection of this compensation data was utilized to analyze the average Market Minimum, Midpoint and Maximum Rates per defined benchmark positions. A comparison of the average salary of the positions to the salary of incumbents within the City was also performed. When necessary, evaluation of the comparable organization's job description, when available online, was utilized to resolve conflicts.

In addition to current positions within the City, the Consultants sought comparable data on future positions/career ladders, and positions with job responsibilities that are combined in Webster Groves but might be separate in other organizations. Not all positions are reflected in the following data analysis. In some situations, data was not available in the external market, data was insufficient, or there were no internal matches at the time of the Study.

## **Market Analysis**

It is standard compensation practice to establish a range around the Minimum or Market Rate to determine if employee compensation is in line with the comparable market. Employees can mistakenly assume that if the average Market Rate is \$25,000, then their salary should align to the Market Rate, not realizing many factors attribute to being above or below a Market Rate. Compensation practices look at a range around the average Market Rate where an employee should be by the time the employee is fully functioning within his/her position. Traditionally, organizations establish a 5%-10% range around the Market Rate. Thus, if an employee is making between 40%-60% of the Market Rate, the employee is considered fairly compensated. In order to analyze the salaries, a Comp Ratio is used. This is a ratio of the City's salary in relation to the external market data. A 50% Comp Ratio would mean that it is in line with the external Market. Again, the 10% range is utilized. Thus, if a Ratio is within 40%-60% the salary is within an acceptable range, although with the current labor market, Ratios between 40%-44% must be watched carefully.

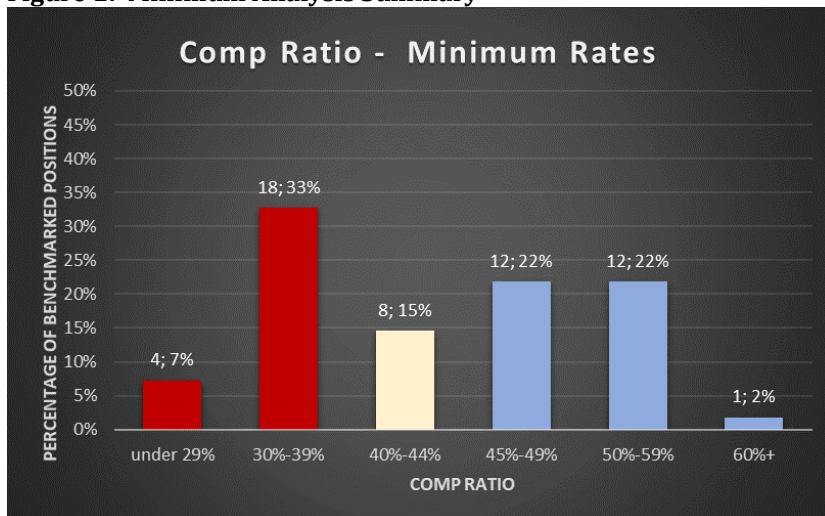


## Minimum Salary Comparison

The analysis of the Minimum Salary Range gives the initial indication if starting salaries are within an acceptable Market Range. When building a salary schedule, consideration of this information will ensure the City's Minimums are within an acceptable range to the average Market Minimum; however, this analysis is only the beginning in the development of a Compensation Schedule.

Approximately 40% of the benchmarked job titles are below the average Market Minimums. There are an additional 15% of the positions that are in the lower 40% Comp Ratio that are still within the acceptable range; however, the positions are at risk of falling below the market in the near future. Overall, 60% of the positions are within the acceptable average Market Minimum. It would appear the majority of the City's minimum hiring salaries are mostly adequate against the average market, although some adjustment will be required. The Figure below provides a summary of findings.

**Figure 1: Minimum Analysis Summary**

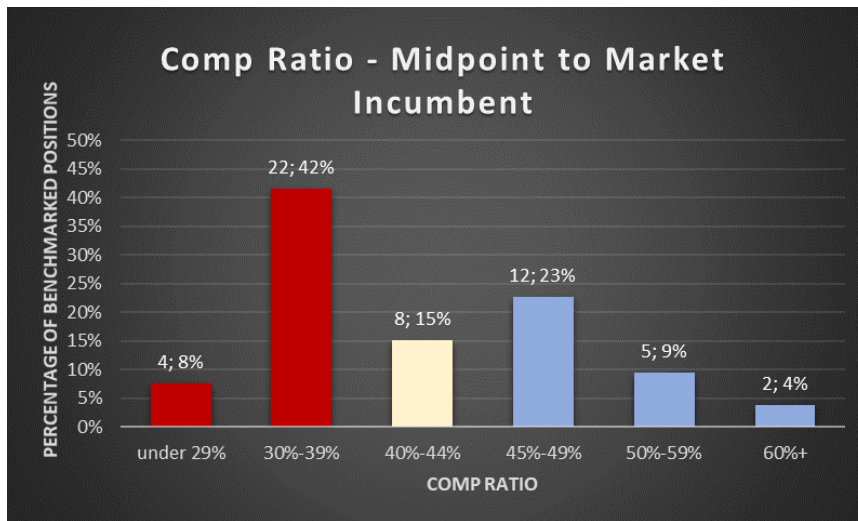


*\*May not equal 100% due to rounding*

## Midpoint Salary Comparison

The Consultants wanted to know if the Midpoint was aligned with the average Market. Therefore, a Midpoint analysis between the City's true midpoint and the Market average was conducted. Again, a Comp Ratio less than 40% would indicate the Salary Ranges may not be in line. Approximately 50% of the midpoint of benchmarked positions are lower than the average incumbent market. There are an additional 15% of the positions that are in the lower 40% Comp Ratio that are within the acceptable range; however, the positions are at risk of falling below the market in the near future. Overall, 51% of the positions are within the acceptable average market at the midpoint, meaning the market for each position varies within each range. The Figure below provides a summary of findings.

**Figure 2: Midpoint Analysis Summary**

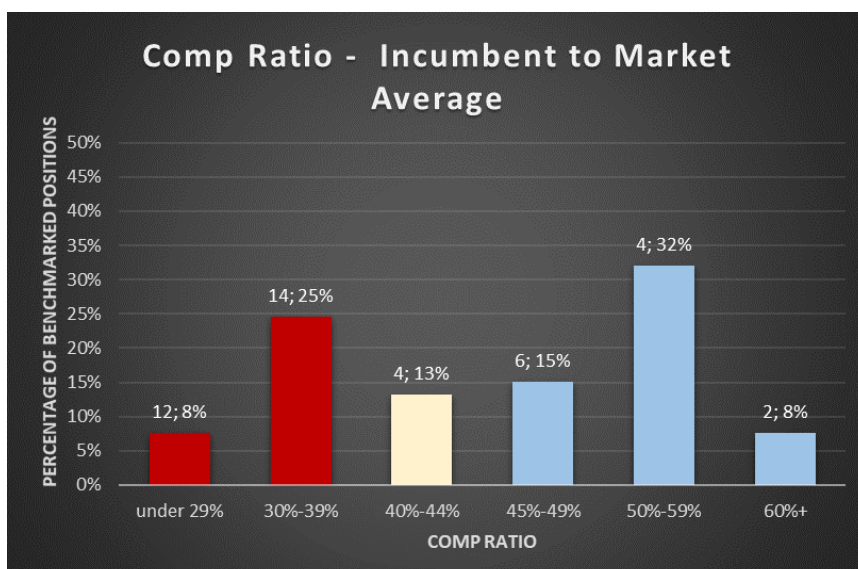


*\*May not equal 100% due to rounding*

### **Average Market Salary Analysis**

The next step is to compare the City's current incumbent salaries to the average Market Rate to assess how competitive incumbent wages are within the market. For this purpose, positions where there are more than one (1) incumbent, an *average* of the current employees is utilized. Overall, 32% of the positions are below the average Market Rate. There are another 13% of positions in the lower 40% Comp Ratio that are at risk of falling below the market in the near future. In total, 68% of the positions within the City are at or above the average Market Rate. The Figure below provides a summary of findings.

**Figure 3: Incumbent Analysis Summary**



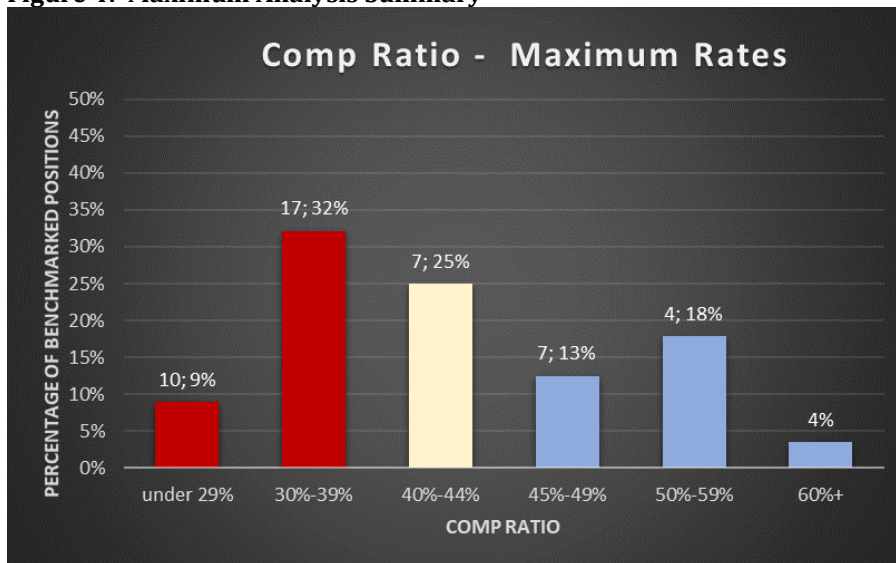
*\*May not equal 100% due to rounding*

## Maximum Salary Comparison

The Consultants then compared the City's Salary Range Maximum to the average Market Maximum. However, due to various types of salary range construction, one must always consider this may not be an exact comparison.

The City's salary range maximum is at or above the Market Maximum for only 34% of positions, while an additional 25% of positions are still within an acceptable distance from the average. This leaves 41% of positions with Maximum Rates that are under the Market Average. This is problematic because the City may be challenged not only in the recruitment and selection of new hires, but also the retention of current staff, which can lead to those staff leaving to work in other organizations in the area for more pay. The Figure below provides a summary of findings.

**Figure 4: Maximum Analysis Summary**



*\*May not equal 100% due to rounding*

## Market Data Summary

Overall, the City's compensation system has not kept a consistent pace with the external market for all positions, resulting in some positions needing a slight adjustment, while other positions will need a more significant shift. There needs to be an adjustment of the Ranges to identify and capture the average market rates for each position, push up the maximum rates, and realign some positions once placed on the Pay Grades.

## **Current Compensation System**

The compensation system is currently made up of individual pay ranges for each position, although some are identical. There are 43 unique salary ranges for 59 job classifications. Each Pay Grade has a Minimum and Maximum. The difference between Pay Grades is 0%-12%. The spread between Minimum and Maximum also varies, between 10%-40%. The midpoint may or may not be the market point, so it is unknown how long an employee must work in each position before they attain market competitive wages.

### **Internal Equity**

Another issue with the current structure is internal equity. The Consultants placed all of the positions together based on salary range lowest to highest to evaluate internal compression and found the following:

- There are supervisory positions that are paid less than, or very close to subordinate positions.
- There is compression among positions, so there is insufficient distance between positions. This causes individuals to be dissuaded from taking promotions or moving to higher level positions as the pay increase is insignificant or nonexistent.
- Similar positions are in different pay grades and wage rates; however, upon examination – there may be little difference in responsibilities. This identifies inequities to be corrected.

These items are likely as much of a concern as the salary ranges against the external market.

### **Compression**

Compression is when salaries of job classifications of a higher rank or authority are paid less than positions of a lower rank or authority. This usually occurs in public safety departments and public works departments where salary plus overtime of lower ranks exceeds the higher command ranks. When this occurs, it stifles an individual's willingness to promote as it often results in a reduction in pay. Because of this issue, the Consultants asked for salary information (base, overtime, and special pays) for an entire year for all job classifications.

An analysis was conducted of all positions within the City. Compression due to overtime as well as special pay provisions was found to be problematic in the Police Department and Fire Department. For these Departments, there are a number of positions that, when combined with overtime and special pay, earn equal to or more than the ranks above them. Adding distance between ranks within the Salary Schedule can assist in minimizing overtime Compression, but this alone does not fix compression.

The Police Department's individual overtime amounts went as high as \$18,600, although all but three were less than \$5,000. The Fire Department's individual overtime went as high as \$15,900 and had 24 instances when overtime exceeded \$5,000. Overtime beyond \$5,000 is hard to facilitate within any Salary Schedule and simply cannot accommodate this amount of overtime. Such overtime is likely due to overtime provisions within a collective bargaining agreement, other policies and practices within the Department, or staffing shortages. The Police and Fire Departments often have uncontrollable circumstances which cause overtime (minimum staffing requirements, critical incidents, etc.) so each of the Chief's and Command Staff, along with City Administration should analyze the overtime to determine the root causes and options to reduce where possible.

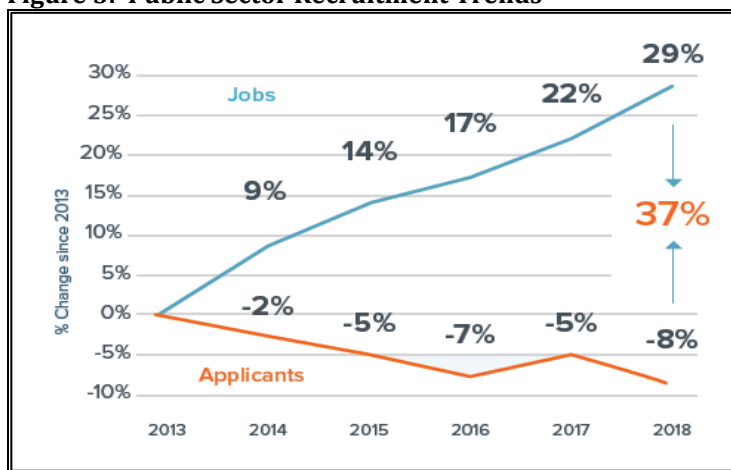
The recommended Salary Schedule will include additional distance between ranks or between union/non-union where feasible, to assist with overtime compression.

## Other Factors

### Public Sector Turnover/Recruitment Challenges

According to human resources professionals across the United States, it is becoming progressively harder to hire qualified personnel. Looking at a tight labor market, recruitment and retention of qualified personnel with the necessary skills for public service topped the list of workforce challenges (State and Local Government Workforce: 2017 Trends). Between 2013 and 2018, postings for government jobs have increased by 29% while applicant volume fell by 8%, resulting in a 37% gap (Neogov Job Seeker Report 2019). The figure below illustrates this change.

**Figure 5: Public Sector Recruitment Trends**



More recently, the Center for State and Local Government Excellence released its State and Local Government Workforces 2021 report. Based on a survey conducted with 300 State and Local government participants across the United States in the first quarter of 2021,

nearly 64% of respondents identified police positions as one of their most challenging positions to fill, and 57% identified skilled trades.

This is not a new issue. Public employers have been experiencing ongoing challenges of this nature for almost a decade. Governments historically have had a compelling proposition to offer workers with secure lifetime employment and generous health benefits followed by a robust pension for retirement, which is no longer the case. Public employers are battling for their talent because:

- Long term employment has less appeal to the younger workforce.
- There is a real or perceived decline in public support for government workers.
- Public employers do not feel they can compete with salaries and benefits as benefits erode and the private sector is more competitive.
- There is a growing skills gap. Many government jobs now require specialized education or training. Fewer positions are 'learn on the job.'
- Public employers are not able to offer the same level of flexible work arrangements to all employees.
- Limitations in technologies prevent efficiencies and automation.
- There are limited financial resources.

### **The Great Resignation and Private Sector Influence**

Compounding the public sector recruitment challenges, in 2021, as the nation re-opened following COVID shutdowns, the country has experienced continued private industry prosperity, record inflation, record retirements, and record turnover from an otherwise qualified workforce, causing all industries, both public and private, to be competing for already limited human resources. In addition, State Minimum Wage Laws are pushing non-skilled wages higher. This has led employers to escalate wages for all positions to help recruit and retain its talent. The effect has been substantial, and nearly every employer is experiencing recruitment and retention challenges.

While the private sector was not included in the comparable data, many businesses report a lack of available workers and this has curtailed their ability to meet current work demands, while raising wages. Thus, all employers, including the City of Webster Groves, will need to ensure its wages and benefit package is as competitive as financially possible in order to help mitigate turnover and facilitate recruitment success with these increasingly challenging external influences.

### **Geography**

Another consideration for the City is its location in the St. Louis metro area. The City is in close proximity to larger scale private sector and public sector employers, so there are plentiful employment options from organizations that lead the market in terms of

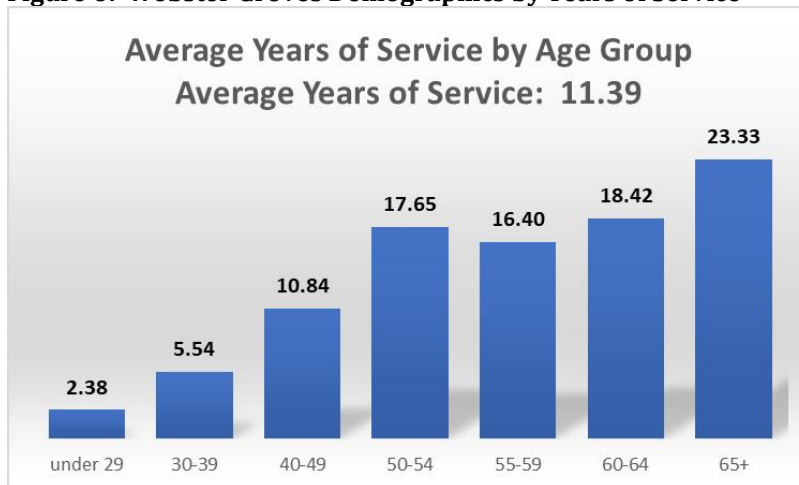


compensation. In order for the City to continue to provide its services to the community and its constituents at its current level of service, there will need to be a consideration to ensure the Salary Schedule is set to attract and retain not only the local employment market, but also individuals who are willing to commute from surrounding communities.

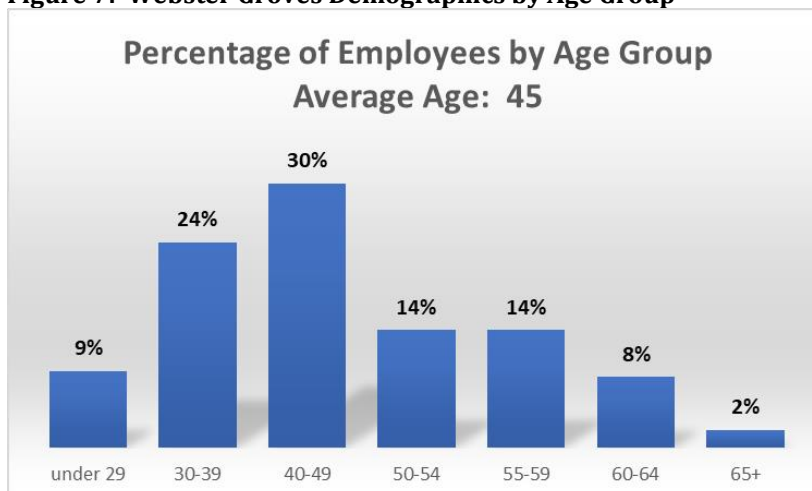
## Employee Demographics

In reviewing the City's employee demographics for positions covered in the Study, the tenure of the organization ranges from new hire – 39 years. The overall tenure average of employees is 11.39 years. The national average in the public sector is currently 6.5 years (*Local Government-Bureau of Labor Statistics, September 2020*), showing the City is above average in overall tenure, which is positive. However, in order to have a full picture of the City, one needs to explore these demographics further. These findings are found in the following Figures.

**Figure 6: Webster Groves Demographics by Years of Service**



**Figure 7: Webster Groves Demographics by Age Group**



The above Figures show those in age groups 50 and over have the longest tenure of the organization and represent 38% of all employees. When these employees leave the City, the average tenure of the organization is likely going to decrease, as their tenure is boosting the current average tenure. The Figures also show the organization has a cross-section of ages across all generations, so the City should expect ongoing steady turnover simply due to retirements over the next decade. A turnover 'spike' may be an indication of a decline in job satisfaction, or a wage/benefit issue, so this data should be monitored at least annually.

The City's demographics also illustrate that 31% of the workforce is under the age of 40, and this is likely the cross-section of employees who are seen as more mobile in today's workforce, focus heavily on work/life balance, consider non-compensatory benefits for the purposes of retention, and change jobs quickly because it results in earning higher wages as opposed to remaining with one organization for a longer period of time, which is notable as average tenure in these age groups ranges from 2.38-5.54 years of service.

The City is recommended to monitor its demographics periodically to properly respond to shifts within the organization as needed. Although the Consultants acknowledge compensation is not the only reason for unwanted turnover, it is a consideration of the larger picture. In order to ensure competitive recruitment/retention, the City is recommended to follow the compensation philosophy of average market compensation to ensure Webster Groves can stay competitive to support retaining its personnel as long as possible.

## **Compensation Philosophy**

A compensation philosophy is an organization's financial commitment to how it values its employees. The goal of this philosophy is to attract, retain, and motivate qualified people. A consistent philosophy provides a strong foundation in determining the type of total compensation package to offer employees.

There are foundational aspects of compensation to assist with the development of a compensation philosophy to ensure the goals of compensation align with the goals of the organization. First, there are basic questions to consider:

1. What is considered a fair wage?
2. Are wages too high for the financial health of the organization?
3. Does the compensation system reflect the value of positions within the organization?
4. Is your compensation strong enough to retain employees?
5. Do you currently have a defined compensation philosophy?
6. If so, is your compensation philosophy keeping in line with labor market change, industry change, and organizational change?



The City is in business to provide services to the citizens, businesses, and visitors of the community. It does that through hiring qualified employees who lend their skills and talents to various positions within the organization. Without those individuals, the City would cease to provide adequate utilities, safety, and other essential services and process the necessary functions to keep those systems in place. Employees expect a compensation system that pays a competitive wage for the skills, education, and responsibilities of the position, and the City is in close proximity to communities and organizations that lead the market's wages. In order to be competitive for retention of existing personnel and have successful recruitment efforts to replace future turnover, the City needs to be highly competitive with targeted comparables.

The City values its quality services and sets high expectations of that service to its constituents, but it does not have the affordability to lead market wages. In order for the City of Webster Groves to maintain a competitive edge with recruitment and retention, it is recommended the City establish its compensation philosophy that is based on average market wages to be competitive with the City's competitive labor markets.

## **Salary Schedule Options**

The salary structure is one of the basic building blocks of a base compensation program. The type of structure sends a clear message about an organization's approach to job design, work processes, and organization structure. The type of salary structure an organization chooses must fit its culture, business needs, and operating cycle. The following are various compensation models.

### **Step Model**

A compensation system that is common in the public sector, is the step system. Within this system, individuals receive a set increase based upon years in position. Individual performance is still a factor of compensation, as movement to the next step is based upon acceptable documented performance. This type of performance management program is typically more straightforward, which can be used by an organization during periods of staff development and retraining. Step models are also generally predictable so employees can see their advancement through the range, are easy to budget for, and can be administered with administrative ease.

### **Range Model**

When considering a compensation system, some organizations gravitate toward a range model, with a performance-based mechanism to progress through the system. Although maintaining merit or pay for performance compensation system is an admirable goal, three (3) elements are essential:

- Clearly articulated performance objectives;
- Defined performance measurement system that can be objectively administered; and
- The ability and support of governing officials to adequately fund the program.

There was discussion with Department Directors/Managers of whether this model could objectively be administered to reward achievement and performance. Having a range model, with established processes to facilitate the employee's ability to receive wage increases beyond cost of living, can be a performance motivator and a tool for professional growth and development.

### **Performance Based Compensation**

During the Study, the Consultants asked about the support for merit, and from a management level, most leaders were supportive, although concerns were brought forth that will need to be addressed by the City in order to have a successful program. Department Directors/Managers reported that historically the "performance pay" model had not been equitably applied. If this model were re-instituted, Supervisor training would need to be implemented.

Should the City enact this model, it is recommended to ensure the following:

1. Determine the link between performance and pay increases in the form of a Performance Matrix. Specifically, what is the financial value of meeting expectations as compared to exceeding expectations, or needing improvement? What does the City want to reward?
2. Update job descriptions so there is an accurate depiction of the work employees will be evaluated on.
3. Review the current performance evaluation process and forms for updating. Utilize Administration and Department Heads to provide input into the type of performance management system the City desires and would be most effective, such as a traditional evaluation, a 360 process, etc. This could be completed in-house, or this step can be outsourced to engage the management team. Key components to be included are as follows:
  - a. Supervisor responsibilities
  - b. Employee responsibilities
  - c. Identified performance standards
  - d. Ratings
  - e. Timeline/evaluation cycle
  - f. Administrative review process
4. During the development of the new system, develop a mechanism for program oversight by Human Resources to ensure completion and standards of documentation have been met.
5. Develop or outsource a performance management training program for all managers. The training should include the following:

- a. Related employment laws
  - b. Documentation requirements
  - c. Understanding the evaluation process and the role of a supervisor
  - d. Roleplay
6. Develop a performance management training for all employees so they understand the new process and timelines.
7. Practice this new process prior to merit implementation so managers and employees experience a trial run, so there is a higher level of trust and success with the process.

As a result, the City may need to implement the merit component of the new Compensation System in a phased in manner.

### **Recommended Model**

It was determined that the City would be best served to continue a range model to provide broad salary ranges for effective recruitment. The range model also serves as a retention tool. Having a range model, with established processes to facilitate the employee's ability to receive wage increases beyond cost of living, can be a performance motivator and a tool for professional growth and retention. The City can consider performance-based compensation with this range model at any time in the future. However, the immediate focus for the City is to update the Compensation System and ensure equitable adjustments across the board.

### **Recommended Salary Schedule**

The recommended 2022 Compensation System continues to be a range system, provided as Appendix A. There are 17 Pay Grades. There is a 16% range between the Minimum and Market Point. The total spread from Minimum to Maximum is 40%. There is 6%-10% between pay grades. The Schedule has been developed around the Market rate of the Schedule, which is set at average Market, although this number may not be published or publicly viewable at City Administration's discretion. The Schedule does have some overlap in ranks in some occupations, which is common. The recommended Salary Schedule, however, will help minimize Compression and allows for growth of positions into the future.

In order to ensure employees are progressing through the Schedule properly over time, the Consultants have advised City Administration how to monitor progression through the range through benchmarks.

## **Public Safety Command Positions**

Like other positions, the placement of the command positions for police and fire need to consider the market, internal comparability, and compression. Overlap of pay ranges between promotional positions does occur on the recommended salary schedule and is an acceptable compensation practice. Because of the number of ranks for each of these departments, there is less room for separation between pay grades. Therefore, the City is recommended to utilize the ranges for command positions to help alleviate compression between ranks. As a result, the City may determine to utilize only a portion of the command staff ranges to ensure proper separation of wages based on the current compression within the organization.

### **Position Placement**

Placement onto the respective Salary Schedule is based upon several criteria:

- Point factor system
- Market analysis
- Compression analysis
- Internal equity

After considering all these elements, placement of some positions on the Salary Schedules have changed, with some positions now being placed in lower or higher pay grades than on the previous Schedule. This is not an indication that any given position is more or less important. Similarly, this is not a “reclassification” process, where a position is being evaluated on changes in responsibility, authority, or decision making that may place the position in a higher or lower pay grade, etc. This process is a complete reset of the Compensation System. This is sometimes difficult for employees, because they look only at where their position is placed on the Schedule and compare themselves to positions that have been placed higher. When this occurs, employees begin to compare their perception of the value of positions within the organization, and do not know, or disregard, the factors the Consultants considered when placing all the positions onto the Schedule.

### **Employee Placement**

For purposes of implementation, employees were placed to the Minimum of the Pay Range if under the new Minimum Rate, with a guaranteed adjustment of at least 3%. Employees already within the Range have no implementation changes, although a 3% increase for 2022 is recommended. If the City is unable to provide a 3% adjustment in 2022, provide as close to 3% as financially possible.

When market ranges are significantly adjusted to meet changes within the market, employees who are under the Minimum Rate are moved to the new established Minimum. What does not always occur is movement of incumbents within the Range, so newer

employees are close in rate of pay to more tenured employees within the Range. This is called *in-range compression*. During an implementation, this type of placement is challenging, as employees feel that with tenure in a position, they should be placed higher within the Salary Range. Although there is merit to this argument, placement on the Schedule by years in the position proves to be costly. The City is recommended to look at compression adjustments for its public safety employees to ensure each non-union rank is a sufficiently separated from subordinate personnel as soon as it is financially able, as there are incumbents who need additional adjustments for better separation. Although the City will also feel compelled to address compression with non-public safety positions, the City is first recommended to conduct an Equity Analysis, which will be covered later.

### **Job Titles**

During the Study, there was an opportunity to align job titles and responsibilities. Some job titles were revised to either have consistency throughout the organization, or to become more current with the external market. These changes were discussed with City Administration and Department Directors although not all are reflected on the recommended Salary Schedule based on feedback obtained. City Administration has been advised of these recommendations to adjust at a future opportunity, such as with attrition.

### **FLSA Exemption Status**

The next phase of the project will include updating job descriptions, which will include feedback from City Administration and Department Directors before the documents are put into final form. Once all feedback is obtained from this process, all final recommendations will be provided to the City on the FLSA determination for each position.

## **General Operational Guidelines**

### **Maintenance of Salary Schedule**

It is important for the City to have a standardized procedure to adjust the Salary Schedules for consistency and for budgetary forecasting. It is the Consultant's recommendation that on a set date each year, the Salary Schedules be increased by the national Consumer Price Index – Urban (CPI -U) percentage or by a local economic indicator, if preferred. For example, since budgeting is done at approximately the same time each year, the City should establish a specific month in which to capture the average of the previous twelve (12) months of the selected economic indicator for a recommended adjustment. The City will still maintain control if conditions and finances fluctuate in a specific year. It is recommended the adjustment to the Salary Schedules be done on a date other than salary increases, so employees understand there are two (2) separate adjustments per year. The following are the types of increases recommended:

### **Salary Schedule Adjustments**

Annually, the Salary Schedules should be adjusted for economic reasons. Without maintaining the Salary Schedule, it will fall below the Market and the City will end up spending dollars to get it updated. Annual Salary Schedule adjustments will keep a competitive, fair, and fiscally sound Salary Schedule. It is important the City also budget dollars for increases to the overall Schedule each year. There may be years when the economy cannot support such increases; however, that should be the exception, not the norm.

### **Annual Adjustments**

The Salary Schedule is based on a premise of annual salary adjustments. Each year, employees can receive the salary increase set by City Administration with acceptable performance unless an employee is on a Performance Improvement Plan.

### **Market Adjustments**

Each budget cycle, Administration should evaluate the placement of current employees. If there is a shift in the market for a specific position, a Market Adjustment to those incumbent employees could be given, which would be an adjustment into the range. The City is recommended to exercise caution in its use however, because this option is not intended to be a means to simply increase the wages of any employee. In order for the City to offer this, there should be written parameters in place, because this should only be used in a controlled manner for positions that have been verified by City Administration as having challenges with recruitment/retention based on market fluctuations. These parameters would include:

1. A documented and verified review of local comparables by City Administration or a third-party consultant.
2. A consistent pattern of recruitment/retention concerns with isolated classifications, as verified by City Administration.

### **Compensation Policy Recommendations**

With the updated Salary Schedule, the City now has a competitive Compensation System for recruitment and retention purposes. In order to minimize employment claims, it is the recommendation of the Consultants to consistently utilize structured guidelines when determining compensation. Administration is recommended to follow these established guidelines and update the City's compensation policy accordingly.

## Market Updates

One of the main concerns in any Salary Schedule is the ability to keep it current. Often, an organization spends time and resources to review and reevaluate their Salary Schedule, resulting in providing employees or Pay Grades significant increases because either the positions or the Schedule is not in line with the external market. A Salary Schedule has a typical life span of three (3) to five (5) years, at which time market conditions typically necessitate a review. The City can strive to prolong the life of their Schedule if it continues to commit to maintaining its competitiveness with the external market by ensuring market updates occur. Given the current competitive market within the St. Louis region, the City is recommended to initially conduct a market update in three (3) years. Maintaining metrics should help indicate if an external market update is required even sooner.

## Equity Analysis

After the Salary Schedule was developed, and all employees were placed within their respective pay range based on current wages, the Consultants reviewed the gender and race of the employees in positions included in the Study.

During the Study, the project focused on *Career Equity*, meaning identifying market values for the City's benchmark positions based on duties and responsibilities, education, experience, and licensing/certification requirements. The market value for each position was developed into a salary range based upon the organization's compensation philosophy and strategy, and those ranges were put together to develop an overall compensation system. This ensures the City is compensating at a competitive Market Rate for their positions and no employee should be paid under the market minimum.

The project also included a look at *Internal Equity*, which is the relationship and/or alignment of positions within the organization, most commonly within a department as well as between departments. This is important because some positions may not be prevalent in the market, or the City has decided to align positions differently for operational reasons, so these nuances need to be looked at to determine how to properly place the position on the salary structure with an objective process. The position analysis process objectively analyzes each position with the same factors. This will be an important distinction for employees during the project, because often times employees feel they are being analyzed, when in actuality, the analysis is of the position, with no regard to who the incumbent is, nor their background/qualifications.

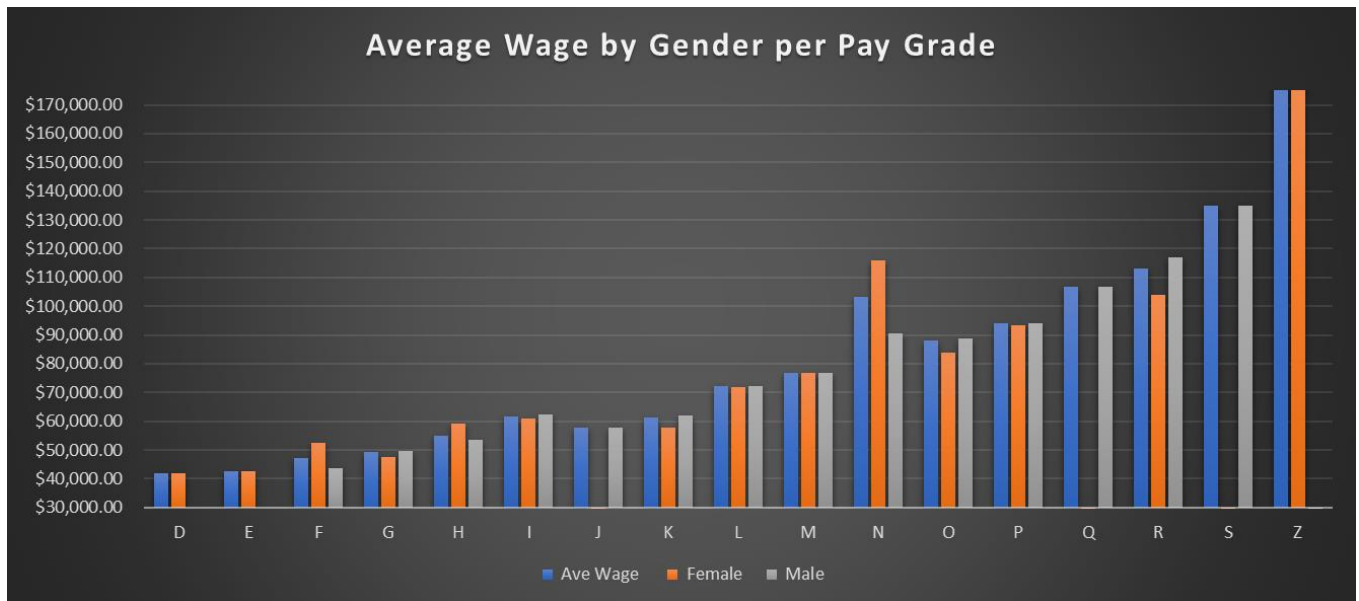
*Pay Equity* is the pay of the individual person, and if there are variations in pay, why? Controlled pay gaps are to be expected, because for example, tenure will have an impact on placement within the salary range. There may be other reasonable factors depending on the type of compensation model in place. What the organization should not want is to find

variables within marginalized groups, such as women and minorities. It should be pointed out this project was not a Pay Equity Study, so a deep analysis of these variables was not conducted, but a basic internal analysis on gender and race is provided for review.

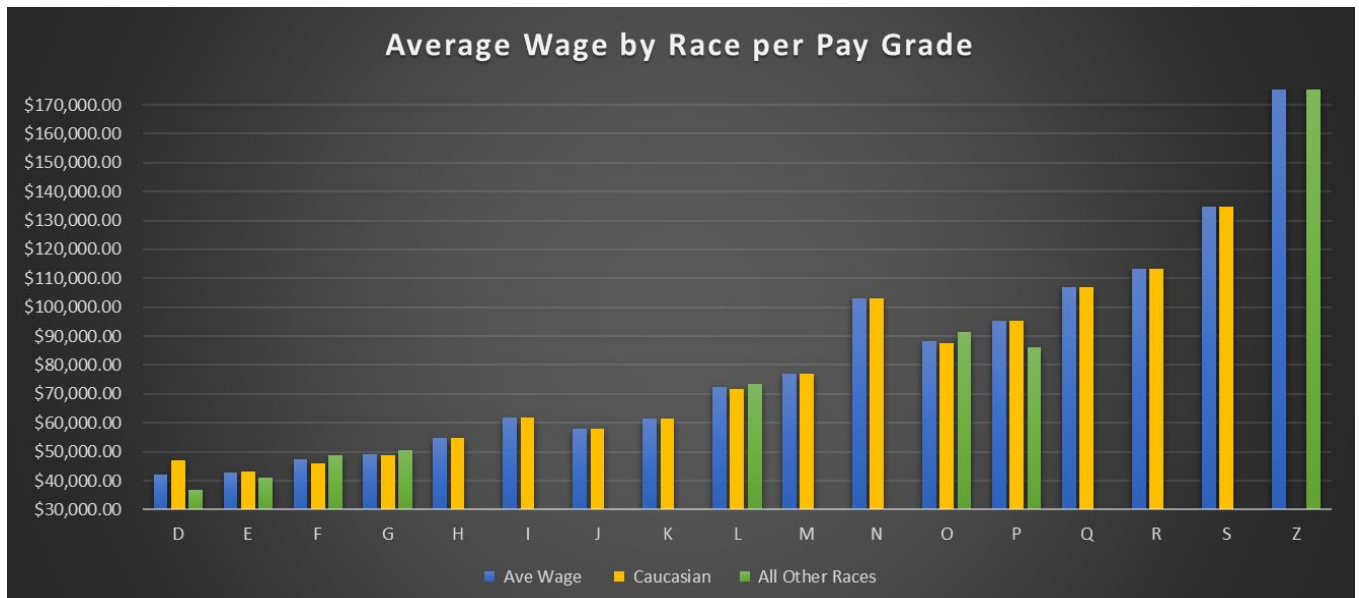
## Summary

The following Charts provide a breakdown of each new Pay Grade and the new average wage for all incumbents in the Pay Grade, along with the breakdown of the average wage between females from males as well as race in each Pay Grade. This will reflect any major variances in wages between genders or race more specific to the relative value of the position.

**Figure 8: Average Wage by Gender**



**Figure 9: Average Wage by Race**





It would be prudent to conduct a Pay Equity Analysis, which will consider all variables, such as date of hire, education, experience, promotions, and performance, to determine if the variances between genders or race are reasonable, or if further salary adjustments are necessary.

## Benefit Analysis

In addition to compensation, the City asked that a comparison of major benefits be completed. The following is a summary of these comparisons. It should be noted the recommendations contained in the Benefit Analysis will take time to evaluate with a benefits broker, and most cannot be quickly changed. It should also be noted this analysis was completed with 2021 data.

### Health Insurance

#### Plan Design Overview

The City offers one health plan design through Blue Cross Blue Shield. The summary of this plan is provided in the Table below.

**Table 2: Health Plan Summary**

DEDUCTIBLE AMOUNTS	OUT OF POCKET MAXIMUMS	EMPLOYER CONTRIBUTION* (S/F)
\$1,000/\$2,000	\$3,500/\$7,000	100%/ 67%

It is becoming more common for employers to offer multiple plan options to allow employees the opportunity to select from the coverage that best matches their personal situation, although the comparables that provided benefit information only offer one plan design, so multiple plan options is not universal in this region. Offering multiple plan designs is something the City should discuss with its insurance broker to allow employees options.

With that said, introducing multiple plan options should be done strategically. For example, because the City has a low deductible plan, the City could introduce a second health plan model, with a Health Savings Account (HSA) to start offering a High Deductible Health Plan (HDHP). It is common for municipalities to have lower employer contribution amounts for HDHP's. Employees are often financially better off enrolling in a HDHP to save on monthly premium costs, which then shifts their financial responsibilities from that of a guaranteed monthly premium deduction, to an actual expense should they need to use the health plan while being a good consumer of health care. With that said, moving to a HDHP can often times be unnerving for employees because they have to be better consumers of their health

care, and manage the expenses as they occur, but the City could offer the option of a portable Health Savings Account (HSA) to provide for a financial cushion to the employee. This account is portable, meaning it goes with the employee upon separation from employment, which is a mechanism for employees to build an account for medical expenses for retirement. Employees do not always know what an HSA is, and how it benefits them, so education is a key component to driving effective health care consumerism. The City would need to develop an education program on the overall health insurance program offered by the City, so employees understand the direct link between utilization of the Plan and the correlation to annual premiums. With that said, there needs to be enough of a distinguishing difference between the plans in terms of premium savings for more employees to assume the risk of a high deductible design plan. Overall, the City is recommended to discuss the option of a HDHP with an HSA with their insurance broker. Allowing multiple plan options for employees allows them to select the plan that best fits their personal situation.

### **Premiums**

It is extremely difficult to compare health insurance, as the number of plans and the plan designs are significantly different among organizations. What can be compared is the amount the employee contributes toward the cost of that insurance. As the City is aware, the cost of health insurance is a large budget item for any organization. Health insurance is also often the single largest benefit looked at by potential new hires with the City, so a review of employee contributions to this benefit is important for offering a comprehensive benefit package.

The Consultants compared Webster Grove's health plan with the comparable organizations that provided health plan information for a more accurate reflection of insurance in this geographical region and found Webster Groves at the top of the comparable market in terms of premium for the single plan. 100% employer paid programs are gaining momentum again in competitive markets. The City is lowest in the reported comparable market for family premiums. The City should discuss options with its insurance broker to lower the employee contribution on family plans to be more competitive with the external market, when possible.

All comparable organizations reported offering vision and dental programs. No recommendations are made in this area, as the focus should be on a more competitive family contribution for insurance coverage.

### **Paid Time Benefits**

Work-life balance, flexibility, and paid time-off topics are becoming more important to the total compensation package, so the Consultants explored adjusting the City's paid time programs.

## **Vacation**

The City's vacation schedule consists of five (5) levels of accrual that increase based upon years of service. The accrual starts at 96 hours per year at time of hire and incrementally increases to 192 hours at 20 years. Although the City has an accrual vacation method, it has a maximum carryover on December 31<sup>st</sup> of each year, set at one and one-half times the annual accrual, so an employee can exceed that accrual during year, but if not used, those hours are lost to the employee.

For this reason, the City could consider adjusting the vacation program to a true accrual system, with a maximum accrual rate. Once that maximum is met, the employee will not accrue more vacation until the time has been used, but the time will not be taken away. The City can utilize the current annual carryover maximums as the maximum accruals, and simply eliminate the policy of reducing hours simply by holding the accruals to these maximums at all times.

Vacation is an employer provided paid time-off benefit that allows employees to have uninterrupted time away from work and allow themselves the opportunity to "recharge." For any position, there is importance to time away from work. Some of these reasons are as follows:

1. Improved productivity. When burnout starts, even the simplest of tasks becomes a challenge, and we lose some of our drive/motivation.
2. Better balance between work and personal life. When you're chronically overworked, you can start to lose your sense of self. Hobbies and interests fall to the wayside as you focus all of your energy on your career. Taking time away from work gives you a chance to revive what makes you happy.
3. Improved focus. No matter how much you love your job, doing the same thing day in and day out can wear on anyone. Taking time away gives you the chance to refocus on your goals and gain a fresh perspective.
4. Better relationships. While it's important to focus on your career, you also need to work on your relationships or the important people in your life will start feeling neglected.
5. Better health. According to the American Psychological Association, vacations work to reduce stress by removing people from the activities and environment that they associate with stress and anxiety.

When one adds the factors that some City positions put their lives in jeopardy and respond to and work with stressors most citizens don't experience, ensuring they have support and time away from work is even more critical. Given the high level of expectations in this organization, allowing and encouraging a time-off benefit that has been earned is even more important. A second consideration is introducing a mandatory vacation policy provision. City Administration will need to analyze these options further.

### **Sick Time**

The City accumulates sick time at the equivalent rate of 8 hours per month, or 12 days per year, to a maximum of 1,200 hours. The City provides a prorated payout starting at 10 years of service provides 25% of sick hours, and 20 years of service provides 50%. The City's policy has specific carve outs and stipulations for the use of this sick time, which will be covered later in the Report.

The City is not currently funding accrued and unused benefits, so sick time payouts are not funded. This means all payouts must be funded with dollars currently allocated to other budget items, which could put a significant financial strain on the City, given the tenure in the organization. As the City looks at its fiscal strategy over the next several years, prioritization may be necessary. Although the sick time payout formula is not unreasonable, it is also not affordable at this time, so change may be needed. The City should seek legal advice to determine if hours that have been earned are vested and will be required to be paid out so there is no loss to the employee as a result program changes.

The City does have some options to alter the sick payout provision, which includes, but is not limited to:

1. Reduce the maximum sick hours to 720 hours, which is the amount needed to cover a full 12-workweek FMLA leave. All employees with sick banks currently over 720 hours would maintain their accumulated hours but will not accrue unless their time falls below 720 hours.
2. Employees with less than 10 years of service who currently have no vested hours, would have their payout formula adjusted to a lesser percentage, such as 10% for 10 years of service, up to 25% for 25 years of service, once they reach vesting years of service.
3. Stop the current sick and vacation programs and create a single Paid Time Off program at payout levels affordable to the City. Accrued and unused vested sick hours can then be calculated based on the existing payout formulas at current hourly rates and paid out when the employee separates employment. Alternatively, the City can place those sick hours into an Extended Leave Bank for continued used, with no further accrual. Accrued and unused vacation becomes PTO time.

Paid Time Off (PTO) is a single bank of time off, which is then used for sick, vacation, and bereavement time, instead of having different banks of time for different purposes. Some organizations include holidays into this program, while others do not. Generally, PTO has a larger overall rate than vacation, but less than vacation and sick time combined as a tradeoff for the increased flexibility provided under a PTO program, and there is an overall payout on the benefit. The benefit has administrative ease, simplification, and flexibility for employees. Often times the biggest challenge is transitioning accumulated sick and vacation hours into a new

program, but this can be done successfully, and allows the City to develop an affordable model.

## **Retirement**

The City currently participates in the L-11/L-12 tiers, which requires a 4% employee contribution. Four comparables reported their own retirement program and comparing a defined benefit with a defined contribution plan is not an equal comparison. Seven organizations reported participation with LAGERS. Of those, the benefit programs are L-6, L-7, LT-8, L-11, and L-12. Four of the seven report a 4% employee contribution, whereas the other three report a zero-employee contribution.

At this time, the City is market competitive with its retirement program so the City is recommended to simply maintain its retirement program.

## **Payout Provisions**

Currently, the City's payout provision is in the form of cash. This payment is then considered taxable to the employee, and the City pays related employment taxes on these amounts. Further, these payments need to be recorded as liabilities on the City's financial statements. The City could consider enhancing the payout provisions in a way that will assist employees with their future health care needs since the main reason employees choose not to retire is because they financially are not able to or cannot afford to continue health care coverage. These payouts could be developed to create a post-employment medical trust for the employee in which deposits are tax-free for both the employee and employer, is not considered income to the employee, and is to be used for medical expenses by the employee/qualified beneficiaries.

## **Other Recommendations**

### **Classified and Unclassified Designations**

The City's ordinance outlines Classified positions and Unclassified positions, and these terms are also defined by the City's Personnel Policies. Historically, classified positions were typically hired under a civil service-type process, whereas unclassified positions may have been hired under different standards and conditions of employment. Although classified/unclassified designations are still seen in state and higher education settings, they are less common at the local level, simply because legal compliance and best practices related to employment areas that touch the life cycle of an employee is simply a standard and expectation in today's workplace, and there are Federal and State laws that provide

enforcement to ensure this occurs, if necessary. As a result, the City should consider whether there is a need for classified/unclassified designations at all, and if the City's human resources policies can support this shift. If it is determined these designations are still needed, all executive level and management level positions should be included in the unclassified designation. This will leave labor, support, technical, and professional non-supervisory positions to remain in the classified designation.

## Appendix A: Recommended Salary Schedule

Pay Grade	Title	Department	SALARY RANGE		
			Minimum	Market	Maximum
D			\$17.75	\$20.59	\$24.85
			\$36,920.00	\$42,827.20	\$51,688.00
	Police Records Technician	Police			
E			\$18.82	\$21.83	\$26.35
			\$39,145.60	\$45,406.40	\$54,808.00
	Prosecuting Attorney Assistant	Legal			
	Administrative Assistant - Planning	Planning and Development			
	Customer Support Technician	Public Affairs			
F			\$19.95	\$23.14	\$27.93
			\$41,496.00	\$48,131.20	\$58,094.40
	Court Clerk	Court			
	Administrative Coordinator - Fire	Fire			
	Maintenance Worker I- Parks	Parks and Rec			
	Maintenance Worker I- Recreation	Parks and Rec			
	Maintenance Worker I- Recreation	Parks and Rec			
	Administrative Coordinator - P&R	Parks and Rec			
	Permit Technician	Planning and Development			
	Administrative Coordinator - Police	Police			
	Customer Support Specialist	Public Affairs			
	Maintenance Worker I- Public Works	Public Works			
	Building Maintenance Worker	Public Works			
	Administrative Coordinator - PW	Public Works			
G			\$21.15	\$24.53	\$29.61
			\$43,992.00	\$51,022.40	\$61,588.80
	Fiscal Technician	Finance			
	Maintenance Worker II- Parks	Parks and Rec			
	Maintenance Worker II- Recreation	Parks and Rec			
	Code Enforcement Officer	Planning and Development			
	Maintenance Worker II- Public Works	Public Works			
	Mechanic/Operator	Public Works			
H			\$22.42	\$26.01	\$31.39
			\$46,633.60	\$54,100.80	\$65,291.20
	Deputy City Clerk	Administration			
	Recreation Specialist - Ice Rink	Parks and Rec			
	Maintenance Worker - Lead	Public Works			
	Arborist	Public Works			
	Building Maintenance Technician	Public Works/ Parks and Rec			
I			\$23.77	\$27.57	\$33.28
			\$49,441.60	\$57,345.60	\$69,222.40
	Human Resources Generalist	Administration			
	GIS Technician	Information Technology			
	Lead Mechanic	Public Works			
J			\$26.15	\$30.33	\$36.61
			\$54,392.00	\$63,086.40	\$76,148.80
	Accountant	Finance			
	Parks Maintenance Supervisor - Horticulture	Parks and Rec			
	Parks Maintenance Supervisor - Grounds	Parks and Rec			
	Public Works Supervisor	Public Works			
K			\$27.72	\$32.16	\$38.81
			\$57,657.60	\$66,892.80	\$80,724.80

	Recreation Manager	Parks and Rec			
	Recreation Manager - Fitness	Parks and Rec			
	Building Inspector	Planning and Development			
	Public Works Inspector	Public Works			
L			<b>\$29.38</b>	<b>\$34.08</b>	<b>\$41.13</b>
			\$61,110.40	\$70,886.40	\$85,550.40
	IT Specialist	Information Technology			
	Planner	Planning and Development			
	Plan Reviewer	Planning and Development			
	Police Officer	Police			
M			<b>\$32.32</b>	<b>\$37.49</b>	<b>\$45.25</b>
			\$67,225.60	\$77,979.20	\$94,120.00
	Recreation Superintendent - Ice Rink	Parks and Rec			
	Parks Superintendent	Parks and Rec			
	Recreation Superintendent	Parks and Rec			
	Civil Engineer I	Public Works			
	Street Superintendent	Public Works			
N			<b>\$34.26</b>	<b>\$39.74</b>	<b>\$47.96</b>
			\$71,260.80	\$82,659.20	\$99,756.80
	City Clerk	Administration			
	Building Commissioner	Planning and Development			
O			<b>\$37.69</b>	<b>\$43.72</b>	<b>\$52.77</b>
			\$78,395.20	\$90,937.60	\$109,761.60
	Finance Manager	Finance			
	Police Sergeant	Police			
	Civil Engineer II - PE	Public Works			
P			<b>\$41.46</b>	<b>\$48.09</b>	<b>\$58.04</b>
			\$86,236.80	\$100,027.20	\$120,723.20
	Human Resources Manager	Administration			
	Information Technology Manager	Information Technology			
	Police Lieutenant	Police			
	Assistant Director of Public Works	Public Works			
Q			<b>\$45.61</b>	<b>\$52.91</b>	<b>\$63.85</b>
			\$94,868.80	\$110,052.80	\$132,808.00
	Battalion Chief	Fire	<b>\$31.73</b>	<b>\$36.81</b>	<b>\$44.42</b>
R			<b>\$48.35</b>	<b>\$56.09</b>	<b>\$67.69</b>
			\$100,568.00	\$116,667.20	\$140,795.20
	Asst. Fire Chief	Fire			
	Parks & Recreation Director	Parks and Rec			
	Planning & Development Director	Planning and Development			
	Police Captain	Police			
	Public Affairs & Engagement Director	Public Affairs			
	Public Works Director	Public Works			
S			<b>\$53.19</b>	<b>\$61.70</b>	<b>\$74.47</b>
			\$110,635.20	\$128,336.00	\$154,897.60
	Asst City Manager/Finance Director	Finance			
	Fire Chief	Fire			
	Police Chief	Police			
Z			<b>\$69.15</b>	<b>\$80.21</b>	<b>\$96.81</b>
			\$143,832.00	\$166,836.80	\$201,364.80
	City Manager	Administration			



## Appendix B: Definitions

The following are definitions that helped guide the development of the Compensation System for the City of Webster Groves.

**Benchmark Position:** A job that is commonly found and defined, used to make pay comparisons, either within the organization or to comparable jobs outside the organization.

**Classifications:** Job titles.

**Compensation System:** A system developed to compensate employees. This system includes a balance between internal equity and external competitiveness.

**Compensation Data:** Data derived from information regarding the salary range and the rate of pay of the incumbent(s) holding a benchmark position of the identified labor market.

**Comp Ratio:** The ratio of an actual pay range to the established position point (or average market rate). The Comp Ratio is used to measure and monitor an individual's actual rate of pay to the Position Point of the established pay range.

**Compression:** Pay differentials too small to be considered equitable. The term may apply to differences between (1) the pay of supervisors and subordinates; (2) the pay of experienced and newly hired personnel of the same job; and (3) pay range midpoints in successive job grades or related grades across pay structures.

**CPI-U:** Consumer Price Index – Urban: A measure of the average change over time in the prices paid by urban consumers for a market of consumer goods and services. It reflects the spending pattern for three population groups: all urban consumers, urban wage earners, and clerical workers. This group represents approximately 87% of the total U.S. population.

**Demotion:** The (re)assignment of an employee to a position in a lower pay grade or range in the organization's salary structure.

**Labor Market:** A location where labor is exchanged for wages. These locations are identified and defined by a combination of the following factors: geography; industry; education, experience and licensing or certification required; and job responsibilities.

**Market Data:** The technique of creating the financial value of a position based on the "going rate" for benchmark positions in the relevant labor markets.

**Minimum Salary Range (Minimum):** The minimum amount of compensation the organization has deemed appropriate for a position.

**Maximum Salary Range (Maximum):** The highest amount of compensation the organization has deemed appropriate for a position.

**Market Average:** Employee pay based upon the ‘average’ market rate; or the ‘average’ prevailing wage rate in the external market.

**Market Rate (Market):** The organization’s best estimate of the wage rate that is prevailing in the external market for a given position.

**Market Average Range:** A pay range in which the minimum and maximum of the range is established around the Average Market Rate.

**Pay Grade:** The grade, or placement of a position, within the salary structure.

**Pay Grade Evaluation:** The (re)assignment of a job to a higher or lower pay grade or pay range in the salary structure due to a job content (re)evaluation and/or significant change in the average market rate in the external labor market.

**Performance Increase:** An adjustment to an individual’s base pay rate based on performance or some other individual measure.

**Promotion:** The (re)assignment of an employee to a position in a higher pay grade or range in the organization’s salary structure.

**Red Circle:** The freezing of a rate of pay until such time that the salary schedule catches up to the pay rate. This is commonly used when implementing a new pay schedule when a tenured employee is above the range maximum or when an employee is placed on a lower pay grade that is not related to performance issues.

**Salary Schedule Adjustment:** An adjustment to the salary structure; the increase or decrease of a pay range, minimum – maximum. This is a method to maintain the salary range in relation to external market conditions.

**Salary Schedule:** The hierarchy of job grades and pay ranges established within an organization.

**Spread:** The range of pay rates, from minimum to maximum.